

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 COME-00 TRSE-00 OMB-01 AID-05 IGA-02

MC-02 ACDA-05 IO-11 SAM-01 SAJ-01 /104 W

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R 231804Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5921

INFO USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY JIDDA

AMEMBASSY TEL AVIV

AMCONSUL FRANKFURT

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 01283

E.O. 11652: N/A

TAGS: ESTC, MASS, GW, SA

SUBJ: SAUDI ARABIAN INTEREST IN WEST GERMAN TANKS

1. SUMMARY: ACCORDING TO PRESS REPORTS ONE OF WEST GERMANY'S LEADING ARMAMENTS MANUFACTURERS, RHEINSTAHL AG, HAS MADE OFFICIAL APPLICATION TO THE GERMAN GOVERNMENT TO EXPORT 600 "MARDER"-TYPE ARMORED VEHICLES TO SAUDI ARABIA. AN EXPORT OF THIS VOLUME WOULD HAVE A TOTAL VALUE OF OVER ONE BILLION DM. A SIMILAR REQUEST BY RHEINSTAHL IN OCTOBER 1975 FOR PERMISSION TO EXPORT 300 OF THESE VEHICLES TO SAUDI ARABIA IS STILL UNDER STUDY BY THE FEDERAL SECURITY COUNCIL. SAUDI ARABIA'S FOREIGN MINISTER, SAUD IBN FEISAL, CURRENTLY ON AN OFFICIAL VISIT IN BONN, DENIED THAT THE SUBJECT OF WEAPONS PURCHASES HAD COME UP DURING HIS CONVERSATIONS WITH FRG FOREIGN MINISTER GENSCHER.

END SUMMARY.

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2. THE LEADING COMMERCIAL NEWSPAPER HANDELSBLATT HAS REPORTED THAT RHEINSTAHL AG, ONE OF WEST GERMANY'S MAJOR ARMAMENTS PRODUCERS, SUBMITTED AN APPLICATION TO THE FEDERAL OFFICE FOR INDUSTRIAL COMMERCE TO DELIVER TO SAUDI ARABIA 600 "MARDER" ARMORED VEHICLES. THE PRESS ACCOUNT APPEARED AT APPROXIMATELY THE SAME TIME AS SAUDI ARABIAN FOREIGN MINISTER SAUD IBN FEISAL AND FRG FOREIGN MINISTER HANS-DIETRICH GENSCHER, MEETING IN BONN, WERE ISSUING A JOINT STATEMENT THAT THE POSSIBILITY OF GERMAN ARMS SALES TO SAUDI ARABIA HAD NOT BEEN DISCUSSED DURING FEISAL'S OFFICIAL VISIT. IN RESPONSE TO A JOURNALIST'S QUESTION FEISAL SAID THAT HIS COUNTRY HAD "NATURALLY NOTHING AGAINST" ACQUIRING WEST GERMAN WEAPONS IF THE FRG WOULD SANCTION THE SALES. HE STATED FURTHER THAT BECAUSE OF "ISRAEL'S AGGRESSIVE POLICIES" SAUDI ARABIA WAS SEEKING FOREIGN WEAPONS SUPPLIERS.

3. A SALE OF THE MAGNITUDE CONTAINED IN RHEINSTAHL'S EXPORT APPLICATION WOULD HAVE SIGNIFICANT IMPACT NOT ONLY ON RHEINSTAHL, BUT ON THE GERMAN EXPORT MARKET AS WELL. AT A UNIT PRICE OF 1.7 MILLION DM, THE PROPOSED SALE OF THE "MARDER" TO SAUDI ARABIA REPRESENTS A CONTRACT WORTH OVER ONE BILLION DM. ARMS EXPORTS FROM WEST GERMANY IN 1975 AMOUNTED TO ONLY 0.29 PERCENT F TOTAL WEST GERMAN EXPORTS; AND THERE HAS BEEN EVIDENCE OF MOUNTING PRESSURE FROM MANUFACTURERS ON THE FRG TO LIBERALIZE ITS ARMS POLICIES IN FACE OF THE RECESSION-INDUCED DECLINE IN GERMAN EXPORTS. BECAUSE OF THE POLITICAL AND PSYCHOLOGICAL IMPLICATIONS OF ANY LIBERALISATION OF THESE POLICIES, AS WELL AS SKEPTICISM ABOUT JUST HOW MUCH IMPACT ON A SLUGGISH ECONOMY INCREASED ARMS SALES WOULD HAVE, THE FRG HAS REPEATEDLY DECLINED TO ALTER ITS PRESENT POLICY. THIS POLICY, IN EFFECT, HAS LIMITED THE EXPORT OF WEST GERMAN ARMAMENTS TO OTHER NATO COUNTRIES ALTHOUGH LIMITED SALES HAVE ALSO BEEN MADE TO SWEDEN, SWITZERLAND, AUSTRALIA AND JAPAN. THE POLICY SPECIFICALLY PROHIBITS ARMAMENTS EXPORTS TO "AREAS OF TENSION", AND IS BASED ON A CABINET DECISION MADE IN 1971 WHICH REFINED A 1961 LAW ON THE CONTROL OF LIMITED OFFICIAL USE

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THE PRODUCTION OF WAR MATERIEL.

4. HANDELSBLATT NOTED THAT THIS IS RHEINSTAHL'S SECOND APPLICATION TO SELL THIS TYPE OF VEHICLE TO SAUDI ARABIA. AN OCTOBER 1975 APPLICATION TO DELIVER 300 "MARDERS" IS STILL BEING STUDIED BY THE FEDERAL SECURITY COUNCIL. IN AN EFFORT TO REMOVE OBSTACLES FROM THIS EARLIER BID, THE NEWSPAPERS SAID, RHEINSTAHL RECENTLY

WROTE TO FOREIGN MINISTRY STATE SECRETARY PETER HERMES
PROPOSING AS A "POSSIBLE ALTERNATIVE" THAT A RHEINSTAHL
SUBSIDIARY IN ANTWERP ASSEMBLE THE VEHICLES.
RHEINSTAHL ASSURED HERMES THAT THE BELGIAN GOVERNMENT
HAD NO OBJECTIONS AS LONG AS THE BELGIAN SUBSIDIARY
PERFORMED AT LEAST 50 PERCENT OF THE ASSEMBLY WORK.
ON STRICTLY LEGAL TERMS THE "MARDER" COULD BE EXPORTED
TO SAUDI ARABIA AFTER HAVING BEEN ASSEMBLED IN
BELGIUM SINCE FRG EXPORT RESTRICTIONS DO NOT PROHIBIT

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THE DELIVERY OF PARTS AND SUB-ASSEMBLIES, ESPECIALLY
WHEN THE TECHNICAL "END-USER" OF THESE PARTS IS A NATO
PARTNER--BELGIUM.

5. WHEN ASKED ABOUT THE RHEINSTAHL EXPORT APPLICATION,
GOVERNMENT SPOKESMAN GRUNEWALD DECLINED TO COMMENT.
NEITHER WOULD HE CONFIRM THAT RHEINSTAHL HAD MADE

APPLICATION TO THE FEDERAL OFFICE FOR INDUSTRIAL
COMMERCE FOR SUCH AN EXPORT PERMISSION.

6. COMMENT: DESPITE THE LACK OF OFFICIAL GOVERNMENT
CONFIRMATION IT SEEMS QUITE LIKELY THAT RHEINSTAHL
DID INDEED MAKE THE APPLICATION, AND THAT INDUSTRIAL
PRESSURE ON THE GOVERNMENT IS MOUNTING TO EASE WEAPONS
SALES RESTRICTIONS. EMBASSY DOUBTS THIS SALE WILL BE
APPROVED, ALTHOUGH RHEINSTAHL MAY BE ABLE TO USE ITS
BELGIAN "POSSIBLE ALTERNATIVE". THE FRG WILL LIKELY
RESTATE THE OFFICIAL POLICY; HOWEVER A MORE LIBERAL
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INTERPRETATION OF THIS POLICY MAY BEGIN TO EMERGE AS
ADDITIONAL CASES COME UP IN THE FUTURE. NEVERTHELESS,
WE FORESEE LITTLE LIKELIHOOD THAT A SIGNIFICANT
ALTERATION WILL OCCUR BEFORE THIS FALL'S ELECTION.
HILLENBRAND

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Message Attributes

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Disposition Date: 28 MAY 2004
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